

Message Text

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 5914

C O N F I D E N T I A L SECTION 1 OF 3 ROME 11596

S/S-O ALERT EUR/WE MCKINLEY

E.O. 11652: GDS

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TECH, IT, US

SUBJ: VISIT OF PRIME MINISTER ANDREOTTI: ITALIAN VIEWS

REF: ROME 10845

SUMMARY: AMBASSADOR MET WITH ITALIAN AMBASSADOR GAJA AND
MINISTER LA ROCCA (DIPLOMATIC ADVISOR TO THE PRIME MINISTER)
JULY 14, WHO REPORTED ON MEETING CALLED BY PRIME MINISTER
AND ATTENDED BY SEVERAL MINISTERS, BANK OF ITALY GOVERNOR AND
OTHER OFFICIALS TO DISCUSS PLANS FOR ANDREOTTI'S VISIT TO
WASHINGTON. FOLLOWING DESCRIBES GOI'S THINKING AT THIS
STAGE, AS REPORTED BY GAJA AND LA ROCCA, SUPPLEMENTED BY
COMMENTS RECEIVED OVER PAST SEVERAL DAYS FROM LA ROCCA
(AT EARLIER MEETING), FOREIGN TRADE MINISTER OSSOLA
AND OTHERS ATTENDING LUNCHEON HE HOSTED FOR THE AMBASSADOR,
FOREIGN MINISTRY ENERGY COORDINATOR MIGLIUOLO, SCIENCE/
TECHNOLOGY ADVISOR VALENTE, AND ANDREOTTI'S ECONOMIC
ADVISOR CAPUGGI. COMMENTS OTHER THAN THOSE ARISING
FROM ANDREOTTI'S JULY 14 MEETING ARE SO IDENTIFIED.

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END SUMMARY.

1. ANDREOTTI HOPES THAT HIS VISIT TO WASHINGTON WILL
INCLUDE NOT ONLY MORE TRADITIONAL EXCHANGE OF VIEWS
ON POLITICAL AND ECONOMIC ISSUES, BUT ALSO DISCUSSION
OF CONCRETE POSSIBILITIES FOR COOPERATION BETWEEN
ITALY AND U.S. ITALIAN IDEA IS THAT WHILE COMMUNI-

QUE WOULD NOT BE ISSUED AT CONCLUSION OF VISIT--
SINCE THAT IS NOT NORMALLY DONE BETWEEN TWO WESTERN
ALLIES--THERE WOULD BE JOINT OR PARALLEL PRESS STATE-
MENTS OR BRIEFINGS, WHICH WOULD INCLUDE, INTER ALIA,
MENTION OF SERIES OF FOLLOW-UP ACTIONS ARISING OUT
OF VISIT. IN PARTICULAR, THIS WOULD INCLUDE VISITS
BY DEFENSE MINISTER LATTANZIO AND PERHAPS ONES BY
TREASURY MINISTER STAMMATI, FOREIGN TRADE MINISTER
OSSOLA, PTT MINISTER COLOMBO AND OTHERS.

2. WHILE COMPOSITION OF PARTY ACCOMPANYING ANDREOTTI
HAS NOT BEEN ESTABLISHED, ASIDE FROM FOREIGN MINISTER
FORLANI, IT IS EXPECTED TO INCLUDE THE FOLLOW-
ING: PRIME MINISTER'S OFFICE - LA ROCCA; FOREIGN
MINISTRY - MIGLIUOLO (FILLING IN FOR DIRECTOR GENERAL
FOR ECONOMIC AFFAIRS MONDELLO, WHO IS RECOVERING FROM
AN OPERATION), EITHER DIRECTOR GENERAL FOR POLITICAL
AFFAIRS GARDINI OR DEPUTY DIRECTOR GENERAL BOTTAI,
CHIEF OF CABINET OR VICE CHIEF OF CABINET,
AND PRESS SPOKESMAN BERLINGUER; TREASURY - DIRECTOR
GENERAL PALUMBO; AND BANK OF ITALY DIRECTOR GENERAL
ERCOLANI.

3. ITALIANS DESIRE SOME SORT OF STATEMENT FROM
U.S. SIDE, PRESUMABLY FROM THE PRESIDENT (THROUGH HIS
SPOKESMAN) OR SECRETARY BLUMENTHAL, INDICATING
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(FAVORABLE) VIEWS ON ITALIAN ECONOMY. OBVIOUSLY
ITALIANS WOULD LIKE UPBEAT STATEMENT NOTING PROGRESS
MADE (IMF STANDBY, IMPROVED PERFORMANCE, FAVORABLE
INDICATORS, ETC.). THIS IS SEEN AS PART OF SEQUENCE
OF STATEMENTS INCLUDING THOSE OF SECRETARY SIMON DURING
MARCH 1976 VISIT AND THOSE ON OCCASION OF ANDREOTTI'S
VISIT TO U.S. LAST DECEMBER.

4. ENERGY IS DEFINITELY VIEWED AS KEY ISSUE FOR DISCUS-
SION. ITALIANS ARE PARTICULARLY CONCERNED THAT
ADMINISTRATION'S NUCLEAR POWER POLICY PLACES IN DOUBT
ITALIAN ABILITY TO DEVELOP VIABLE NUCLEAR ENERGY PROGRAM.
FOR THAT REASON ANDREOTTI, ACCORDING TO GAJA AND LA ROCCA,
DESIRES STATEMENT BY THE PRESIDNET SIMILAR TO THOSE MADE
IN CONNECTION WITH FRG AND JAPAN THAT U.S. RECOGNIZES
IMPORTANCE OF NUCLEAR ENERGY TO ITALY. THEY STRESSED
THAT THEY DID NOT SEEK ANYTHING BEYOND WHAT U.S. HAS
ALREADY SAID IN CONNECTION WITH OTHER ALLIES. GAJA
AND LA ROCCA AGREED WITH THE AMBASSADOR THAT OUR ENERGY

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C O N F I D E N T I A L SECTION 2 OF 3 ROME 11596

S/S -O ALERT EUR/WE MCKINLEY

EFFORTS SHOULD BE UNDERTAKEN IN FRAMEWORK OF
MEETING LEGITIMATE NEEDS WHILE AVOIDING NUCLEAR
PROLIFERATION, TERRORIST ACTIVITIES AND ADVERSE
EFFECTS ON ENVIRONMENT. MIGLIUOLO, IN SEPARATE
CONVERSATION, SUGGESTED THAT WE DIRECT OUR EFFORTS
NOT SO MUCH TOWARD WITHHOLDING NUCLEAR SUPPLIES
AND TECHNOLOGY AS TOWARD PROVIDING GREATER CONTROLS AND
REGIONALIZATION OF PROCESSING FACILITIES.

5. GAJA AND LA ROCCA, AND MIGLIUOLO ON SEPARATE
OCCASION, MENTIONED POSSIBILITY THAT GOI WOULD WISH
TO RESURRECT "JOINT STATEMENT" ON BILATERAL ENERGY
COOPERATION, WHICH WAS NEGOTIATED IN SPRING OF 1976
(76 STATE 132569 AND PREVIOUS). IT WAS NOT CLEAR,
HOWEVER, PRECISELY WHAT USE GOI WOULD INTEND
TO MAKE OF IT.

6. ITALIANS WILL WISH TO EXPLORE WITH U.S. AT LEAST
TWO OF THEIR THREE TRADITIONAL AREAS OF INTEREST
INVOLVING NUCLEAR POWER, I.E., URANIUM SUPPLIES
AND FINANCING. RE URANIUM SUPPLIES, GOI IS ANXIOUS TO
PURSUE POSSIBILITY OF ASSURING SUPPLIES OF NATURAL
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URANIUM. RE FINANCING, THERE DO NOT SEEM TO BE NEW
DEVELOPMENTS OTHER THAN APPARENT DECISION TO PROCEED

WITH CONSTRUCTION OF 12 NUCLEAR POWER PLANTS RATHER THAN ORIGINALLY-PLANNED 20. HOWEVER, WE UNDERSTAND THAT EXIMBANK AND ENEL (NATIONAL ELECTRICAL AGENCY) HAVE ALREADY BEEN IN CONTACT ON THE SUBJECT.

7. SUBJECT OF TRANSFER OF NUCLEAR TECHNOLOGY SEEMS TO HAVE BECOME SUBSUMED UNDER ON-GOING INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION PROGRAM. HOWEVER, ITALY REMAINS MOST INTERESTED IN PURSUING POSSIBILITIES FOR COOPERATIVE ACTIVITIES IN NON-NUCLEAR FIELDS. GAJA AND LA ROCCA AGREED WITH AMBASSADOR THAT POLITICAL REACTION WOULD BE MORE FAVORABLE IN BOTH U.S. AND ITALY IF WE UNDERTAKE NUCLEAR ACTIVITIES UNDER BROAD HEADING OF "ENERGY", WITH MAXIMUM EFFORTS MADE ON ALTERNATIVE NON-NUCLEAR ENERGY SOURCES SUCH AS SOLAR, BIOCONVERSION AND GEOTHERMAL, AS WELL AS ON NUCLEAR SAFETY, ENVIRONMENT ISSUES AND ENERGY CONSERVATIONS.

8. GAJA AND LA ROCCA MENTIONED POSSIBLE DISCUSSION ON COAL PURCHASES BY ITALY FROM U.S., SUBJECT ALSO RAISED BY MIGLIUOLO AND VALENTE. WHILE IDEA NOT YET THOUGHT OUT FULLY ON ITALIAN SIDE, THERE IS APPARENTLY INTEREST IN LONG-TERM SUPPLY ARRANGEMENT IN VIEW OF AVAILABILITY AND PRICE OF U.S. COAL.

9. GAJA SUGGESTED THAT ITALY MIGHT WISH TO ACTIVATE SWAP ARRANGEMENT FOR U.S. BORROWING FROM ITALY IN NEAR FUTURE. PURPOSE, ACCORDING TO GAJA, WOULD BE TO SHOW THAT SWAP MECHANISM COULD WORK IN EITHER DIRECTION. THUS, IF ITALY DESIRED SWAP IN THE

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FALL OR LATER, ADVERSE PSYCHOLOGICAL EFFECT WOULD BE OFFSET BY PREVIOUS U.S. BORROWING. COMMENT. FROM MINTREAS SOURCES EMBASSY IS AWARE OF SOME ITALIAN INTEREST IN CLARIFYING THE QUESTION OF THE AVAILABILITY OF POSSIBLE FUTURE FRB SWAP DRAWINGS IN CONNECTION WITH ITALY'S MANAGEMENT OF ITS RESERVES AND OF ITS LARGE DEBT REPAYMENTS WHICH COME DUE IN 1977 AND 1978. HOWEVER, IT IS NOT CREDIBLE THAT THE FRB WOULD WANT TO DRAW ON ITS SWAP WITH THE BANK OF ITALY MERELY TO PAVE THE WAY FOR A LATER VHPIAN DRAWING. ON THE OTHER HAND IT DOES NOT SEEM CREDIBLE FOR THE ITALIANS TO INQUIRE ABOUT THE STATUS OF SWAP UTILIZATIONS

AND FOR THE U.S. TO MAKE CLEAR UNDER WHAT CIRCUMSTANCES AND IN WHAT AMOUNTS ITALIAN DRAWINGS MIGHT BE POSSIBLE. END COMMENT.

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TO SECSTATE WASHDC IMMEDIATE 5916

C O N F I D E N T I A L FINAL SECTION OF 3 ROME 11596

S/S-O ALERT EUR/WE MCKINLEY

C O R R E C T E D C O P Y FOR T E X T P A R A T E N

10. FOREIGN INVESTMENT IN ITALY WILL PROBABLY BE TOPIC FOR DISCUSSION. AMBASSADOR TOLD ITALIANS THAT WE REALIZE THAT MUCH DEPENDS ON POLITICAL SITUATION AND THAT ITALIAN PRIVATE SECTOR NOW OPERATING UNDER VERY SEVERE RESTRAINTS. IN ADDITION, OF COURSE, THERE ARE SEVERAL OUTSTANDING PROBLEMS AFFECTING U.S. FIRMS IN ITALY. AMBASSADOR SAID HE HOPED WAYS COULD BE FOUND TO ASSIST IN IMPROVING BUSINESS CLIMATE.

11. APART FROM GENERAL DISCUSSION OF TRADE ISSUES, ITALIAN CONTACTS HAVE MENTIONED SEVERAL SPECIFIC ISSUES:

(A) GAJA REFERRED TO FACT THAT U.S.-ITALIAN BILATERAL TRADE HAD DECLINED OVER PAST TWO DECADES WHEN MEASURED AS SHARE OF EACH OTHER'S TRADE.

(B) HE ALSO NOTED INTEREST OF ITALIAN FIRMS IN
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JOINT VENTURES WITH U.S. FIRMS IN THIRD COUNTRIES (PARTICULARLY MIDDLE EAST) UNDER CONDITIONS OF ADVANTAGE TO BOTH SIDES. THIS IS THE EMBASSY HAS HEARD FROM VARIETY OF ITALIAN SOURCES DURING PAST SEVERAL MONTHS AND ONE WHERE WE BELIEVE SERIOUS EFFORTS SHOULD BE MADE TO ENHANCE COLLABORATION AMONG OUR FIRMS.

(C) FINALLY, ALTHOUGH NOT MENTIONED BY GAJA AND LA ROCCA, SEVERAL ITALIAN CONTACTS HAVE REPORTED THAT ANDREOTTI WILL RAISE ISSUE OF RENEWAL OF MULTI FIBER AGREEMENT (MFA) IN WASHINGTON. ACCORDING TO OSSOLA, GOI IS CONCERNED NOT ONLY OVER WHAT IT CONSIDERS TO BE INADEQUATE PROTECTION AFFORDED CONSUMING COUNTRIES IN MFA BUT ALSO PRESENT DISTRIBUTION OF SHARES UNDER MFA -- SPECIFICALLY, IT BELIEVES THAT U.S. SHOULD TAKE LARGER SHARE OF IMPORTS.

12. ITALIANS WILL WISH TO RAISE VARIOUS ISSUES RELATING TO MILITARY SALES. WHILE GAJA AND LA ROCCA SEEMED RESIGNED TO INABILITY TO CONCLUDE NEGOTIATIONS ON BILATERAL DEFENSE EQUIPMENT MEMORANDUM OF UNDERSTANDING IN TIME FOR ANDREOTTI VISIT, THEY APPARENTLY HAVE NOT YET SO ADVISED ANDREOTTI. BASIC ITALIAN INTEREST IS IN EXPLORING WAYS FOR MORE BALANCED FLOW OF SALES. SPECIFIC ISSUES MENTIONED BY ITALIANS WERE ITALIAN MILITARY SALES TO U.S., MILITARY SALES TO THIRD COUNTRIES OF EQUIPMENT PRODUCED UNDER U.S. LICENSE (GOI SEEMS TO RECOGNIZE THAT NOTHING WOULD BE GAINED BY RAISING ISSUE OF SALES TO LIBYA DURING ANDREOTTI VISIT), AND COMPETITION WITH U.S. IN THIRD COUNTRIES WHICH THEY CONSIDER COUNTERPRODUCTIVE. DURING DISCUSSION OF MILITARY SALES
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ITALIANS EMPHASIZED THAT THEY WERE SPEAKING OF DEFENSE SUPPLIES IN BROADEST SENSE, AND NOT ONLY WEAPONS.

13. RE PROPOSED COOPERATION BETWEEN U.S. AND ITALIAN TAX AUTHORITIES (ROME 11506), ITALIAN REACTION HAS BEEN POSITIVE, ALTHOUGH LA ROCCA SUGGESTED THAT IT MIGHT BE PREFERABLE NOT TO GIVE IT ANY PUBLICITY AT THIS TIME.

14. IN DISCUSSION WITH LA ROCCA AND OTHERS, IDEA FOR SHARPLY EXPANDED PROGRAM OF ENGLISH-LANGUAGE TEACHING IN ITALY HAS BEEN ENLARGED INTO RECIPROCAL PROGRAM FOR ITALIAN SUPPORT IN UPGRADING STUDY OF ITALIAN LANGUAGE AND CULTURE IN U.S. AND U.S. SUPPORT FOR ENGLISH LANGUAGE AND AMERICAN STUDIES IN ITALY.

15. SIMILARLY, ITALIANS HAVE REACTED POSITIVELY, ALTHOUGH UNOFFICIALLY AS YET, ON PROPOSAL FOR PRIVATELY-FINANCED LOAN PROGRAM FOR VAST EXPANSION OF ITALIAN STUDENTS IN U.S. AT GRADUATE LEVEL, PRIMARILY IN FIELDS UNAVAILABLE IN ITALY, AND EXPANSION OF AMERICAN GRADUATE STUDENTS IN ITALY. IN MORE GENERAL CONTEXT, GAJA REFERRED TO POSSIBILITY OF NEGOTIATING NEW FULBRIGHT AGREEMENT.

16. IN CONCLUSION, GAJA AND LA ROCCA REPORTED THAT PRIME MINISTER HAS ALL ISSUES "UNDER SCRUTINY". AMBASSADOR EXPECTS TO MEET WITH ANDREOTTI ON JULY 20 OR 21 FOR FINAL DISCUSSION OF VISIT. GARDNER

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